



**Sarah Baartman**

**DISTRICT MUNICIPALITY**

*Province of the Eastern Cape*

*progress through development*

## **SARAH BAARTMAN DISTRICT MUNICIPALITY**

**Annual Financial Statements and**

**Annual Performance Report**

**for the year ended 30 June 2018**

**SARAH BAARTMAN DISTRICT MUNICIPALITY**

**Financial statements  
for the year ended 30 June 2018**

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## General Information

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<b><u>Legal form of Entity</u></b>	District Municipality (DC10)
<b><u>Jurisdiction</u></b>	Sarah Baartman District
<b><u>Nature of business and principal activities</u></b>	Municipal services
<b><u>Registered office</u></b>	32 Govan Mbeki Ave Standard Bank Building Port Elizabeth 6001
<b><u>Postal address</u></b>	P O Box 318 Port Elizabeth 6000
<b><u>Mayoral committee</u></b> Executive Mayor Councillors	KE Kekana ZJ Peter VS Stuurman K Ncamiso S Lucas Z Funiselo
<b><u>Accounting Officer</u></b>	DM Pillay
<b><u>Chief Finance Officer (CFO)</u></b>	RN Lorgat
<b><u>Preparer</u></b>	The financial statements were internally compiled by: R N Lorgat
<b><u>Bankers</u></b>	ABSA Bank Limited
<b><u>Auditors</u></b>	Auditor-General South Africa

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

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### Abbreviations

CDDA	Cacadu District Development Agency
DORA	Division of Revenue Act
EPWP	Expanded Public Works Programme
FMG	Finance Management Grant
GRAP	Generally Recognised Accounting Practice
IAS	International Accounting Standards
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
MSIG	Municipal Systems Improvement Grant
SARS	South African Revenue Services
SBDM	Sarah Baartman District Municipality
VAT	Value Added Taxation

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Officer's Responsibilities and Approval

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The Accounting Officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the financial statements and related financial information included in this report. It is the responsibility of the Accounting Officer to ensure that the financial statements fairly present the state of affairs of the Municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the financial statements and were given unrestricted access to all financial records and related data.

The financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

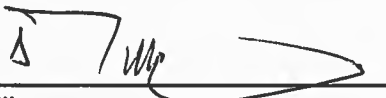
The financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Accounting Officer acknowledges that he is ultimately responsible for the system of internal financial control established by the Municipality and places considerable importance on maintaining a strong control environment. To enable the Municipality to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or loss in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the financial year and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the spectrum. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Accounting Officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Accounting Officer has reviewed the municipality's cash flow forecast for the year to 30 June 2019 and, in the light of this review and the current financial position, he is satisfied that the Municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The financial statements set out on page 4 to 59, which have been prepared on the going concern basis, were approved by the Accounting Officer on 31 August 2018 and signed hereunder.



**DM Pillay**  
Accounting Officer

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Statement of Financial Position as at 30 June 2018

Figures in Rand	Note(s)	2018	2017
<b>Assets</b>			
<b>Current Assets</b>			
Receivables from exchange transactions	4	1,621,290	1,717,727
Receivables from non-exchange transactions	5	1,567,800	2,447,817
VAT receivable	6	2,340,914	4,742,570
Deposits paid	7	15,410	15,410
Short-term investments	8	150,000,000	117,000,000
Cash and cash equivalents	9	56,907,009	104,943,853
		<b>212,452,423</b>	<b>230,867,377</b>
<b>Non-Current Assets</b>			
Investment property	10	12,639,722	12,643,000
Property, plant and equipment	11	17,191,000	17,861,420
Intangible assets	12	2,540,644	1,517,079
Heritage assets	13	16,212,500	16,212,500
Long-term receivables	14	228,367	237,944
		<b>48,812,233</b>	<b>48,471,943</b>
<b>Total Assets</b>		<b>261,264,656</b>	<b>279,339,320</b>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Payables from exchange transactions	15	11,736,870	35,271,835
Employee benefit obligation	17	4,375,778	4,172,583
Provisions	18	682,823	1,068,324
		<b>16,795,471</b>	<b>40,512,742</b>
<b>Non-Current Liabilities</b>			
Long-term portion of infrastructure levies	15	-	1,122,570
Employee benefit obligation	17	54,148,167	55,691,774
		<b>54,148,167</b>	<b>56,814,344</b>
<b>Total Liabilities</b>		<b>70,943,638</b>	<b>97,327,086</b>
<b>Total assets less liabilities</b>		<b>190,321,018</b>	<b>182,012,234</b>
<b>Net Assets</b>			
Accumulated surplus	19	190,321,018	182,012,234

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Statement of Financial Performance

Figures in Rand	Note(s)	2018	2017
<b>Revenue</b>			
Rental of facilities and equipment	20	1,364,158	1,367,167
Government grants & subsidies	21	89,310,000	86,525,000
		<b>90,674,158</b>	<b>87,892,167</b>
<b>Other income</b>			
Reduction in provision for debt impairment		-	1,118,795
Actuarial gain on post employment medical benefit	17	2,816,144	4,847,635
Income from agency services	20	47,598	50,023
Interest income	20	16,152,007	18,568,768
Other revenue	20	1,157,452	1,189,681
		<b>20,173,201</b>	<b>25,774,902</b>
<b>Expenses</b>			
Bad debts written off		-	(867,900)
Conditional grant expenditure	22	(2,845,442)	(3,862,375)
Contracted services		(2,484,762)	(3,888,006)
Depreciation	11	(1,519,088)	(1,556,279)
Discounting of post employment medical benefit	17	(5,390,732)	(5,429,480)
Employee costs	23	(39,759,308)	(41,151,681)
Impairment	11	(1,082)	(25,811)
Fines and penalties	43	-	(2,375)
General expenses - other	45	(28,400,354)	(44,214,138)
Increase in provision for debt impairment		(1,297,089)	-
Loss on disposal of assets		(95,545)	(1,251,008)
Other grants and subsidies paid	22	(21,441,346)	(24,593,148)
Repairs and maintenance		(916,397)	(784,228)
		<b>(104,151,145)</b>	<b>(127,626,429)</b>
<b>Surplus (deficit) for the year</b>		<b>6,696,214</b>	<b>(13,959,360)</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Statement of Changes in Net Assets

Figures in Rand	Accumulated surplus	Total net assets
<b>Balance at 01 July 2016</b>	<b>195,971,594</b>	<b>195,971,594</b>
Changes in net assets		
Deficit for the year	(13,959,360)	(13,959,360)
Total changes	(13,959,360)	(13,959,360)
<b>Balance at 01 July 2017</b>	<b>182,012,234</b>	<b>182,012,234</b>
Changes in net assets		
Surplus for the year	6,696,214	6,696,214
Infrastructure levies transferred to accumulated surplus	1,612,570	1,612,570
Total changes	8,308,784	8,308,784
<b>Balance at 30 June 2018</b>	<b>190,321,018</b>	<b>190,321,018</b>
Note(s)	19	



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Cash Flow Statement

Figures in Rand	Note(s)	2018	2017 Restated
<b><u>Cash flows from operating activities</u></b>			
<b>Receipts</b>			
Grants		89,310,000	86,525,000
Interest income		16,130,021	18,588,814
Other receipts		6,016,532	1,669,202
		<u>111,456,553</u>	<u>106,783,016</u>
<b>Payments</b>			
Employee costs		(40,144,809)	(40,802,816)
Cash paid to suppliers		(21,371,550)	(27,843,529)
Fines and penalties		-	(2,375)
Other payments		(57,629,115)	(40,157,906)
		<u>(119,145,474)</u>	<u>(108,806,626)</u>
<b>Net cash flows from operating activities</b>	27	<u><b>(7,688,921)</b></u>	<u><b>(2,023,610)</b></u>
<b><u>Cash flows from investing activities</u></b>			
Purchase of property, plant and equipment	11	(1,041,231)	(4,682,932)
Proceeds from sale of property, plant and equipment		69,214	161,400
Purchase of other intangible assets	12	(1,023,565)	(1,430,194)
(Increase) / Decrease in deposits	7	-	837,153
(Increase) / decrease in long term receivables		9,577	(50,362)
<b>Net cash flows from investing activities</b>		<u><b>(1,986,005)</b></u>	<u><b>(5,164,935)</b></u>
<b><u>Cash flows from financing activities</u></b>			
Repayment of other financial liabilities	17	(4,239,348)	(4,072,190)
Increase / (decrease) in short-term investments		(33,000,000)	18,000,000
Movement in long-term infrastructure levies		(1,122,570)	-
<b>Net cash flows from financing activities</b>		<u><b>(38,361,918)</b></u>	<u><b>13,927,810</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(48,036,844)</b></u>	<u><b>6,739,265</b></u>
Cash and cash equivalents at the beginning of the year		104,943,853	98,204,588
<b>Cash and cash equivalents at the end of the year</b>	9	<u><b>56,907,009</b></u>	<u><b>104,943,853</b></u>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments (i.t.o. s31 of the MFMA)	Shifting of funds (i.t.o. MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2018</b>											
<b>Financial Performance</b>											
Investment revenue	18,000,000	-	18,000,000	-	-	18,000,000	16,152,007		(1,847,993)	90 %	90 %
Transfers recognised - operational	89,310,000	-	89,310,000	-	-	89,310,000	89,310,000		-	100 %	100 %
Other own revenue	33,043,500	6,861,600	39,905,100	-	-	39,905,100	5,385,352		(34,519,748)	13 %	16 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>140,353,500</b>	<b>6,861,600</b>	<b>147,215,100</b>	<b>-</b>	<b>-</b>	<b>147,215,100</b>	<b>110,847,359</b>		<b>(36,367,741)</b>	<b>75 %</b>	<b>79 %</b>
Employee costs	(47,956,900)	-	(47,956,900)	-	-	(47,956,900)	(32,610,999)		15,345,901	68 %	68 %
Remuneration of councillors	(7,643,700)	-	(7,643,700)	-	-	(7,643,700)	(7,148,309)		495,391	94 %	94 %
Debt impairment	-	-	-	-	-	-	(1,297,089)		(1,297,089)	72 %	72 %
Depreciation and asset impairment	(2,109,000)	-	(2,109,000)	-	-	(2,109,000)	(1,519,088)		589,912	72 %	72 %
Transfers and grants	(27,985,000)	-	(27,985,000)	-	-	(27,985,000)	(24,286,788)		3,698,212	87 %	87 %
Other expenditure	(54,658,900)	(6,861,600)	(61,520,500)	-	-	(61,520,500)	(37,288,872)		24,231,628	61 %	68 %
<b>Total expenditure</b>	<b>(140,353,500)</b>	<b>(6,861,600)</b>	<b>(147,215,100)</b>	<b>-</b>	<b>-</b>	<b>(147,215,100)</b>	<b>(104,151,145)</b>		<b>43,063,955</b>	<b>71 %</b>	<b>74 %</b>
<b>Surplus/(Deficit)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,696,214</b>		<b>6,696,214</b>	<b>-</b>	<b>-</b>
<b>Surplus/(Deficit) for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>6,696,214</b>		<b>6,696,214</b>	<b>-</b>	<b>-</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Statement of Comparison of Budget and Actual Amounts

Figures in Rand	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>Capital expenditure and funds sources</b>											
Total capital expenditure	1,012,000	3,295,000	4,307,000	-	-	4,307,000	2,064,796		(2,242,204)	48 %	204 %
Sources of capital funds											
Internally generated funds	(1,012,000)	(3,295,000)	(4,307,000)	-	-	(4,307,000)	(2,064,796)		2,242,204	48 %	204 %
<b>Cash flows</b>											
Net cash from (used) operating	2,109,000	-	2,109,000	-	-	2,109,000	(7,688,921)		(9,797,921)	-	-
Net cash from (used) investing	(1,012,000)	(3,295,000)	(4,307,000)	-	-	(4,307,000)	(1,986,005)		2,320,995	46 %	196 %
Net cash from (used) financing	-	-	-	-	-	-	(38,361,918)		(38,361,918)	-	-
Net increase/(decrease) in cash and cash equivalents	1,097,000	(3,295,000)	(2,198,000)	-	-	(2,198,000)	(48,036,844)		(45,838,844)	2,185 %	(4,379) %
Cash and cash equivalents at the beginning of the year	98,204,591	-	98,204,591	-	-	98,204,591	104,943,853		6,739,262	107 %	107 %
Cash and cash equivalents at year end	99,301,591	(3,295,000)	96,006,591	-	-	96,006,591	56,907,009		39,099,582	59 %	57 %

The actuals presented are on a comparable basis. Refer to Note 44 for explanations on material variances.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1. Presentation of financial statements

The financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these financial statements, are disclosed below.

#### 1.1 Presentation currency

These financial statements are presented in South African Rand, which is the functional currency of the municipality.

All figures in the financial statements are rounded up to the nearest Rand.

#### 1.2 Going concern assumption

These financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

#### 1.3 Basis of Preparation

##### Statement of compliance

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practices (GRAP) prescribed by the Minister of Finance.

These accounting policies are consistent with the previous period.

Accounting policies for material transactions, events or conditions not covered by the above GRAP Standards have been developed in accordance with paragraphs 7, 11 and 12 of GRAP 3. These accounting policies and the applicable disclosures have been based on the International Financial Reporting Standards and the International Public Sector Accounting Standards (IPSAS), where applicable, in terms of Directive Five including any interpretations of such Statements issued by the Accounting Practices Board.

These accounting policies have been applied to ensure that the financial statements provide information that is relevant to the decision-making needs of users and are reliable.

##### Basis of measurement

The financial statements have been prepared on the accrual basis.

##### Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.3 Basis of Preparation

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the notes.

Estimates and judgements are made to identify impairments required to be made to assets. The condition of the assets are assessed together with the use of the asset to determine whether an impairment is required.

The useful life of an asset is reviewed annually and management assess the condition and the usefulness of the asset at each reporting date to determine the remaining useful life of the assets.

### Offsetting

Assets, liabilities, revenues and expenses have not been offset, except when offsetting is required or permitted by a Standard of GRAP.

There are no key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying value of assets and liabilities within the next financial year.

### 1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

### Cost model

Investment property is carried at cost less accumulated depreciation less any accumulated impairment losses.

Depreciation is provided to write down the cost, less estimated residual value by equal installments over the useful life of the property, which is as follows:

<u>Item</u>	<u>Useful life</u>
Property - land	indefinite
Property - buildings	50 years

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.4 Investment property (continued)

#### Derecognition

Investment property is derecognised (eliminated from the Statement of Financial Position) on disposal or when the investment property is permanently withdrawn from use and no future economic benefits or service potential are expected from its disposal.

#### Gains or losses

Gains or losses arising from the derecognition of investment property (difference between carrying amount and net disposal proceeds) are included in surplus or deficit.

### 1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

#### Recognition

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

#### Initial measurement

Property, plant and equipment is initially measured at cost.

The "initial measurement" of property, plant and equipment, upon its "initial recognition" refers to property, plant and equipment's value when the current basis of accounting was first adopted, i.e. 1 July 2005. The "cost" of property, plant and equipment upon "initial recognition" is either its cost or fair value at initial recognition. The "cost" of land and buildings on 1 July 2005 would constitute its fair value on that date as no cost is available. The "cost" of other assets would be its carrying amount (cost less accumulated depreciation) as at that date on the assumption that the carrying amount represents the asset's fair value at 1 July 2005 if the asset was acquired prior to this date.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at cost (fair value at acquisition). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

#### Depreciation

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

On acquisition of items of property, plant and equipment, the useful lives are assessed as follows:

<u>Item</u>	<u>Average useful life</u>
Buildings	50
Furniture and fixtures	7 - 15
Motor vehicles	5 - 10
Office equipment	2 - 10
Computer equipment	2 - 10
Bins and containers	5 - 10
Specialised vehicles	5 - 20
Specialised Plant and Equipment	5 - 15

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate. Where a reversal occurs, the recoverable amount is limited to the carrying amount where no impairment occurred.

Reviewing the useful life of an asset on an annual basis does not require the municipality to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

#### Impairment

The municipality assesses at each reporting date whether there is any indication that an asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

If it is not possible to estimate the recoverable amount of the individual asset, the recoverable amount of the cash-generating unit to which the asset belongs is determined.

The recoverable amount of the asset or a cash-generating unit is the higher of its fair value less costs to sell and its value in use. If the recoverable amount of the asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. This reduction is an impairment loss.

An impairment loss of assets carried at cost less any accumulated depreciation or amortisation is recognised immediately in surplus or deficit.

A reversal of an impairment loss of assets carried at cost less accumulated depreciation or amortisation is recognised immediately in surplus or deficit. Where a reversal occurs, the recoverable amount is limited to the carrying amount where no impairment occurred.



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.5 Property, plant and equipment (continued)

#### Derecognition

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

#### Gains and losses

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.6 Intangible assets

An asset is identifiable as an intangible asset when it:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

Intangible assets are initially recognised at cost.

An intangible asset acquired at no or nominal cost will be measured at fair value at the day of acquisition.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired, impairment to the asset will be made.

Reassessing the useful life of an intangible asset with a finite useful life, after it was classified as indefinite, is an indicator that the asset may be impaired. As a result, the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

<u>Item</u>	<u>Useful life</u>
Computer software	indefinite

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.7 Investments

The municipality classifies its investments as "Financial assets at amortised cost".

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and re-evaluates this designation at every reporting date.

Financial assets at amortised cost are included in current assets, except for maturities greater than 12 months after the balance sheet date. These are classified as non-current assets. Financial assets at amortised cost, receivable within 3 months are included in cash and cash equivalents in the Statement of Financial Position.

Investments are initially measured at fair value and subsequently at amortised cost.

### 1.8 Heritage assets

Assets are resources controlled by the municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Subsequent measurement

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

#### Impairment

The municipality assess at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.8 Heritage assets (continued)

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the heritage asset. Such difference is recognised in surplus or loss when the heritage asset is derecognised.

### 1.9 Financial instruments

#### Classification

The municipality classifies financial assets and financial liabilities into the following categories:

- Financial assets at amortised cost
- Financial liabilities measured at amortised cost

Classification depends on the purpose for which the financial instruments were obtained / incurred and takes place at initial recognition. Classification is re-assessed on an annual basis, except for derivatives and financial assets designated as at fair value through surplus or loss, which shall not be classified out of the fair value through surplus or loss category.

#### Initial recognition and measurement

Financial instruments are recognised initially when the municipality becomes a party to the contractual provisions of the instruments.

The municipality classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or a residual interest instrument in accordance with the substance of the contractual arrangement.

Financial instruments are measured initially at fair value, except for residual interest investments for which a fair value is not determinable, which are measured at cost.

For financial instruments which are not at fair value, transaction costs are included in the initial measurement of the instrument.

#### Subsequent measurement

Financial assets at amortised cost are subsequently measured at amortised cost, using the effective interest method, less accumulated impairment losses.

Financial liabilities are subsequently measured at amortised cost, using the effective interest method.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.9 Statutory receivables (continued)

#### Impairment of financial assets

Impairment losses are recognised in surplus or loss.

Impairment losses are reversed when an increase in the financial asset's recoverable amount can be related objectively to an event occurring after the impairment was recognised, subject to the restriction that the carrying amount of the financial asset at the date that the impairment is reversed shall not exceed what the carrying amount would have been had the impairment not been recognised.

#### Cash and cash equivalents

Cash includes cash on hand and cash held at banks. Cash equivalents are short-term, liquid investments that are held with registered banking institutions with maturities of three months or less and are subject to an insignificant risk of change in value.

Cash and cash equivalents are classified as "Financial asset at amortised cost" and are initially measured at cost. Subsequent measurement is at amortised cost.

#### Gains and losses

A gain or loss arising from a change in a financial asset or financial liability is recognised as follows:

- For financial assets and financial liabilities carried at amortised cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, and through the amortisation process.

#### Derecognition:

#### Financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised where:

- the rights to receive cash flows from the asset have expired;
- the municipality retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass-through' arrangement; or

Where the municipality has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the municipality's continuing involvement in the asset.

#### Financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in surplus or deficit.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.10 VAT

The municipality accounts for Value Added Tax on the invoice basis.

The municipality is liable to account for VAT at the standard rate (14% and 15% effective from 1 April 2018) in terms of section 7 (1) (a) of the VAT Act, in respect of the supply of goods or services except where the supplies are specifically zero-rated in terms of section 11, exempted in terms of section 12 of the VAT Act or is out of scope for VAT purposes.

VAT is submitted on a monthly basis to SARS.

#### Measurement

Initial measurement is at cost. Subsequent measurement is at amortised cost.

#### Derecognition

VAT is derecognised when the net payment is paid or received from SARS, whichever is applicable when the VAT return is presented.

### 1.11 Grants, transfers and donations

#### **Unconditional grants and receipts**

Revenue from unconditional grants is recognised when it is probable that the economic benefits or service potential will flow to the municipality and the amount of the revenue can be measured reliably. Since these grants are unconditional and there are no attached stipulations, the grants are recognised as revenue or, if the asset recognition criteria have been met, as assets in the reporting period in which they are received or receivable.

#### **Conditional grants and receipts**

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised. Revenue is recognised and the liability is decreased as the conditions associated with the grant is met.

Interest earned on investments is treated in accordance with grant conditions. If interest is payable to the grantor, it is recognised as a liability and if not, it is recognised as interest earned in the statement of financial performance.

### 1.12 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Municipality as the lessor

Assets leased to third parties under operating leases are included in property, plant and equipment in the Statement of Financial Position. They are depreciated over their expected useful lives on a basis consistent with similar owned property, plant and equipment. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.12 Leases (continued)

#### Municipality as the lessee

Leases in terms of which the municipality assumes substantially all the risks and rewards of ownership are classified as finance leases and where the lessor retains substantially all the risks and rewards of ownership are classified as operating leases.

Upon initial recognition the finance leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments and the corresponding liabilities are raised. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Lease payments are allocated between the lease finance cost and the capital repayment using the effective interest rate method. Lease finance costs are expensed when incurred.

Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Financial Performance on a straight-line basis over the period of the lease.

### 1.13 Segmental information

The principal segments have been identified on a primary basis by classification of the revenue and expenditure in terms of the International Government Financial Statistics classifications and the budget formats prescribed by National Treasury.

Segmental information on property, plant and equipment, as well as income and expenditure, is set out in Appendices B and C.

The standard is not effective in the current year.

### 1.14 Receivables from exchange and non-exchange transactions

Receivables are classified as "Financial assets at amortised cost" and are initially recognized at fair value. Subsequent measurement is at amortised cost. An estimate is made for doubtful receivables based on a review of all outstanding amounts at year end. Bad debts are written off during the year in which they are identified based on an assessment on the recoverability of the receivable. Amounts that are receivable within 12 months from the reporting date are classified as current.

### 1.15 Payables from exchange and non-exchange transactions

Payables are classified as "Liabilities at amortised cost" and are initially recognized at the fair value of the present obligation of a past event. Subsequent measurement is at amortised cost.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.16 Employee benefits

#### Defined contribution plans

Payments to defined contribution retirement benefit plans are charged to the Statement of Financial Performance as they fall due. Payments made to industry-managed (or state plans) retirement benefit schemes are dealt with as defined contribution plans where the municipality's obligation under the scheme is equivalent to those arising in a defined contribution retirement benefit plan.

#### Defined benefits

The municipality provides certain post retirement medical benefits by funding the medical aid contributions of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current conditions of service), on retirement, is entitled to remain a continued member of such medical aid fund, in which case the member is liable for 30% of the medical aid membership fee, and the municipality for the remaining 70%. The medical aid contributions are charged to the Statement of Financial Performance as they fall due.

The retirement benefits are calculated in accordance with the rules of the funds. Full actuarial valuations are performed on a regular basis on defined benefit contribution plans, unless exemption to do so has been obtained from the Registrar of Pension Funds.

The municipality's net obligation in respect of defined benefit retirement and post retirement plans are calculated separately for each plan by estimating the amount of future benefits that employees have earned in return for their service in the current and prior periods. These benefits are discounted to determine their present value, and any unrecognised past service costs and the fair value of any plan assets are deducted. The actuarial valuation is performed by an independent qualified actuary on a regular basis, using the projected unit credit method. When the calculation results in a benefit to the municipality, the recognised asset is limited to the net total of any unrecognised past service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan. The actuarial gain is transacted in full in the Statement of Financial Performance and not calculated and accounted for according to the "corridor" method.

When the benefits of a plan are improved, the portion of the increased benefit relating to past service by employees is recognised in the Statement of Financial Performance on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits vest immediately, the expense is recognised immediately in the Statement of Financial Performance.

#### Accrued leave pay

The leave pay accrual is calculated taking into account the actual number of days accrued and the remuneration as at 30 June.

#### Other short-term employee benefits

The cost of short-term employee benefits, (those payable within 12 months after the service is rendered) is recognised in the period in which the service is rendered and is not discounted.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.17 Provisions

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the municipality.

A contingent liability is a possible obligation depending on whether some uncertain future event occurs not wholly within the control of the municipality, or a present obligation but payment is not probable or the amount cannot be measured reliably.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 29 and 30.

### 1.18 Revenue from exchange transactions

Interest and rentals are recognised on a time proportion basis.

Dividends are recognised on the date that the municipality becomes entitled to receive the dividend.

Revenue arising from the application of the approved tariff of charges is recognised when the relevant service is rendered.

Income collected on behalf of "third parties" is recognised, at the agreed upon percentage, on a monthly basis once the income collected on behalf of the principal has been quantified. The income recognised is in terms of the service level agreement.

Revenue from the sale of goods is recognised when the risk is passed to the consumer.

All other revenue is recognised as it accrues.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.19 Revenue from non-exchange transactions

Donations are recognised on a cash receipt basis, or where the donation is in the form of property, plant and equipment, at the fair value of the asset at the date of acquisition.

Revenue from public contributions is recognised when all conditions associated with the contribution have been met or where the contribution is to finance property, plant and equipment, when such items of property, plant and equipment is brought into use. Where public contributions have been received, but the municipality has not met the condition, a liability is recognised.

Contributed property, plant and equipment is recognised when ownership of the items of property, plant and equipment is transferred to the municipality.

Revenue from the recovery of unauthorised, irregular, fruitless and wasteful expenditure is based on legislated procedures, including those set out in the Municipal Finance Management Act (Act no. 56 of 2003) and is recognised when the recovery thereof from the responsible councillors or officials is virtually certain.

Revenue received from conditional grants, donations and funding is recognised as revenue to the extent that the municipality has complied with any of the criteria, conditions or obligations embodied in the agreement. Where the criteria, conditions or obligations have not been met, a liability is recognised.

### 1.20 Finance costs

Finance costs are recognised as an expense in the period in which they are incurred.

### 1.21 Grants-in-aid

The Council transfers money, from time to time, to individuals, organisations and other sectors of government in accordance with the Municipal Finance Management Act 56 of 2003.

When making these transfers, SBDM does not:

- Receive any goods or services directly in return, as would be expected in a purchase or sale transaction;
- Expected to be repaid in future; or
- Expected a financial return, as would be expected from an investment.

These transfers are recognised in the Statement of Financial Performance as an expense in the period with which the events giving rise to the transfer occurred.

### 1.22 Comparative information

When the presentation or classification of items in the annual financial statements is amended, the prior period comparative amounts are restated and the nature and reason for the reclassification is disclosed. Where accounting errors have been identified in the current year, the correction is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly. Where there has been a change in accounting policy in the current year, the adjustment is made retrospectively as far as is practicable, and the prior year comparatives are restated accordingly.



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.23 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.24 Fruitless and wasteful expenditure

Fruitless and wasteful expenditure is expenditure that was made in vain and would have been avoided had reasonable care been exercised. Fruitless and wasteful expenditure is accounted for as expenditure in the Statement of Financial Performance and detailed further in the notes to the financial statements and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

### 1.25 Irregular expenditure

Irregular expenditure as defined in section 1 of the MFMA, means expenditure incurred by a municipality in contravention of, or that is not in accordance with requirements of the following Acts or Regulation, and which has not been condoned:

- Municipal Finance Management Act
- Municipal Systems Act
- Public Office-Bearers Act
- Municipal Supply Chain Management Regulations or related by-laws

The irregular expenditure excludes expenditure by a municipality which falls within the definition of "unauthorised expenditure".

Irregular expenditure that was incurred and identified during the current financial year and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned / written off.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.26 Events after reporting date

Management conducts an assessment on any events occurring subsequent to the end of the reporting date and prior to the finalisation of the financial statements to identify any incidents that would provide the user with additional information that could influence decision-making and the usefulness of the financial statements. This information is then disclosed accordingly in the financial statements.

### 1.27 Unutilised conditional grants

#### Initial recognition

Unutilised conditional grants are reflected on the Statement of Financial Position as a short-term portion of unspent conditional grants. They represent unspent government grants, subsidies and contributions from the public. The following conditions are set for the creation and utilisation of these creditors:

- The grant received is initially recognised at cost as unspent conditional grants.
- Whenever an item of property, plant and equipment is funded from a grant, an amount equal to the purchase price is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue.
- Whenever operational expenditure is funded from a grant, an amount equal to the expenditure is transferred from the unspent conditional grants account to the operating account on the Statement of Financial Performance as revenue to offset the expenditure which was expensed through the operating account.
- The cash which backs the unspent portion is invested until utilised.
- Interest earned on the investment is treated in accordance with grant conditions. If the grant conditions indicate that interest is payable to donors then interest earned on unutilised conditional grants is allocated to the funds and is not recognised in the Statement of Financial Performance.
- The unspent grant is classified as "Financial liabilities at amortised cost".

#### Subsequent measurement

Unspent conditional grants are subsequently measured at amortised cost if material.

#### Derecognition

Unspent conditional grants are derecognised when the balance was expended per the conditions as set for a grant.

### 1.28 Effective interest rate

The entity uses the prime interest rate less 0.5% to discount future cash flows.

### 1.29 Capital commitments

Capital commitments disclosed in the financial statements represents the balance committed to capital projects at the reporting date that will be incurred subsequent to the reporting date. The capital commitment disclosed identifies awards entered into by the municipality against the capital projects as well as a commitment upon approval of a budget for a capital project, where an award has not yet been made.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Accounting Policies

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### 1.30 Budget information

The approved budget is prepared on a accrual basis.

The approved budget covers the fiscal period from 2017/07/01 to 2018/06/30.

The Statement of comparison of Budget and Actual Amounts has been included in the financial statements. The financial statements and the budget are on the same basis of accounting.

### 1.31 Related parties

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

All transactions with related parties are disclosed.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### 2. Changes in accounting policy

There were no changes in accounting policies during the financial year.

### 3. New standards and interpretations

#### 3.1 Standards and interpretations effective in the current year

In the current year, the municipality has not adopted any new standards. The following standard and interpretations are however effective for the current financial year and are relevant to its operations:

<u>Standard/ Interpretation:</u>	<u>Effective date: Years beginning on or after</u>	<u>Expected impact:</u>
GRAP 18: Segment reporting	1 April 2020	The effects on the financial statements is limited as the standard is being implemented.

### 4. Receivables from exchange transactions

Accrued Interest	1,098,085	1,076,099
Accrued Rent	223,334	262,594
Rental	164,941	105,909
Salaries and Wages Debtors	285,052	363,503
Allowance for impairment	(150,122)	(90,378)
	<b>1,621,290</b>	<b>1,717,727</b>

#### Receivables from exchange transactions past due but not impaired

Trade and other receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 288,430 (2017: R 288,430) were past due but not impaired.

The ageing of amounts past due but not impaired is as follows:

Over 6 months	288,430	288,430
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#### Receivables from exchange transactions impaired

As of 30 June 2018, receivables from exchange transactions of R 150,122 (2017: R 90,378) were impaired and provided for.

The ageing of these receivables is as follows:

3 to 6 months	13,735	12,892
Over 6 months	136,387	77,486

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### 5. Receivables from non-exchange transactions

General debtors	2,322,025	1,042,455
Other receivables	7,294	949,986
Prepayments	531,460	511,010
Allowance for impairment	(1,292,979)	(55,634)
	<u>1,567,800</u>	<u>2,447,817</u>

#### Receivables from non-exchange transactions past due but not impaired

Receivables which are less than 3 months past due are not considered to be impaired. At 30 June 2018, R 12 694 (2017 R 12 694) were past due but not impaired.

The amount of R12 694 is owed by SANRAL for a property disposed of by the municipality. The property is in the process of being transferred to the purchaser. The municipality would therefore only receive the selling price upon finalisation of the transfer of the property. No impairment was therefore considered necessary on this debtor.

The ageing of amounts past due but not impaired is as follows:

over 365 days	12,694	12,694
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#### Receivables from non-exchange transactions impaired

As of 30 June 2018, receivables of R 1,292,979 (2017: R 55,634) were impaired and provided for.

The ageing of these receivables is as follows:

over 180 days	1,292,979	55,634
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### 6. VAT receivable

Value added taxation	<u>2,340,914</u>	<u>4,742,570</u>
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All VAT returns have been submitted by their due dates throughout the year.

VAT is accounted for on the invoice basis. No discounting was performed.

### 7. Deposits paid

Deposits - Electricity	5,000	5,000
Deposits - Post Office	9,000	9,000
Deposits - Parking Grace Street	1,410	1,410
	<u>15,410</u>	<u>15,410</u>

### 8. Short-term investments

All short-term investments that will mature more than 3 months, but less than 12 months after the reporting date, is classified as short-term investments and do not form part of cash and cash equivalents.

Short-term investments	150,000,000	117,000,000
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# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### 9. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	6,100	6,100
Bank balances	900,909	3,937,753
Short-term deposits	56,000,000	101,000,000
	<b>56,907,009</b>	<b>104,943,853</b>

#### Short-term deposits

Cash and cash equivalents are classified as a financial asset under Loans and Receivables at amortised cost. All short-term deposits mature within 3 months after the reporting date.

No discounting was performed due to the short term nature of the cash turnover and the fact that all investments earned interest. The fair value of cash and cash equivalents approximates their carrying amounts. No cash deposits were ceded as collateral.

The return on investments for 2018 fluctuated between 7.25% and 8.65%. (2017: 7.16% and 8.55%).

Short-term investments	40,000,000	75,000,000
Call Account Deposits	16,000,000	26,000,000
<b>Total short-term deposits</b>	<b>56,000,000</b>	<b>101,000,000</b>

#### Allocation of cash and cash equivalents

Post employment medical benefit	58,523,945	59,864,357
Infrastructure projects from Levies	-	1,612,570
Accrued leave pay	783,342	1,305,656
Unappropriated surplus	(2,400,278)	42,161,270
<b>Total</b>	<b>56,907,009</b>	<b>104,943,853</b>

## SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

### Notes to the Financial Statements

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#### 9. Cash and cash equivalents (continued)

SBDM has the following primary bank account

Bank details

ABSA Limited  
32 Govan Mbeki Avenue  
Port Elizabeth  
Current Account (Primary account):  
1640-000-062

Bank statement balances  
30 June 2018 30 June 2017 30 June 2016

905,204 4,585,571 5,339,466

Cash book balances  
30 June 2018 30 June 2017 30 June 2016

900,909 3,937,753 3,198,491

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### 10. Investment property

	2018		2017			
Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Valuation	Accumulated depreciation and accumulated impairment	Carrying value	
Investment property	12,643,000	(3,278)	12,639,722	12,643,000	-	12,643,000

### Reconciliation of investment property - 2018

	Opening balance	Depreciation	Total
Investment property	12,643,000	(3,278)	12,639,722

### Reconciliation of investment property - 2017

	Opening balance	Total
Investment property	12,643,000	12,643,000

No operating expenditure was incurred by the municipality on the Investment Properties during the current and previous financial year.

Investment properties are leased mainly to organs of state and the rentals are not market related. The rental revenue received for the year is R15 803 (2017: R15 763).

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

Refer appendix A for more details.



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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	2018	2017
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### 11. Property, plant and equipment

	2018		2017	
	Valuation	Accumulated depreciation and impairment	Carrying value	Valuation
Land - cost	1,754,636	-	1,754,636	1,754,636
Buildings - cost	7,246,840	(33,928)	7,212,912	6,741,521
Specialised plant and machinery	2,039,001	(1,346,929)	692,072	2,053,732
Furniture and fixtures	-	-	-	2,369,059
Motor vehicles	8,327,817	(4,513,497)	3,814,320	8,465,568
Office equipment	4,883,639	(2,440,292)	2,443,347	2,491,510
Computer equipment	4,097,778	(2,858,921)	1,238,857	4,264,572
Bins and containers	98,988	(64,132)	34,856	98,988
Specialised vehicles	-	-	-	275,159
<b>Total</b>	<b>28,448,699</b>	<b>(11,257,699)</b>	<b>17,191,000</b>	<b>28,514,745</b>
				<b>(10,653,325)</b>
				<b>17,861,420</b>

### Reconciliation of property, plant and equipment - 2018

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land - cost	1,754,636	-	-	-	-	1,754,636
Buildings - cost	6,741,521	505,319	-	(33,928)	-	7,212,912
Specialised plant and machinery	760,772	6,692	(7)	(75,385)	-	692,072
Furniture and fixtures	-	-	-	-	-	-
Motor vehicles	4,404,339	249,995	(155,984)	(684,030)	-	3,814,320
Office equipment	2,704,264	76,646	(12,231)	(324,250)	(1,082)	2,443,347
Computer equipment	1,453,097	202,579	(26,537)	(390,282)	-	1,238,857
Bins and containers	42,791	-	-	(7,935)	-	34,856
<b>Total</b>	<b>17,861,420</b>	<b>1,041,231</b>	<b>(194,759)</b>	<b>(1,515,810)</b>	<b>(1,082)</b>	<b>17,191,000</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### 11. Property, plant and equipment (continued)

Reconciliation of property, plant and equipment - 2017

	Opening balance	Additions	Disposals	Depreciation	Impairment loss	Total
Land - cost	1,754,636	-	-	-	-	1,754,636
Buildings - cost	3,957,567	2,783,954	-	-	-	6,741,521
Specialised plant and machinery	845,328	-	(987)	(76,832)	(6,737)	760,772
Furniture and fixtures	1,297,117	1,268	(13,640)	(135,042)	(1,858)	1,147,845
Motor vehicles	5,021,342	1,266,462	(1,308,000)	(652,946)	-	4,326,858
Office equipment	1,648,367	166,285	(60,128)	(195,572)	(2,533)	1,556,419
Computer equipment	1,515,524	464,963	(29,652)	(483,055)	(14,683)	1,453,097
Bins and containers	50,726	-	-	(7,935)	-	42,791
Specialised vehicles	82,378	-	-	(4,897)	-	77,481
	<b>16,172,985</b>	<b>4,682,932</b>	<b>(1,412,407)</b>	<b>(1,556,279)</b>	<b>(25,811)</b>	<b>17,861,420</b>

The introduction of the new Municipal Chart of Accounts has resulted in a few changes within the property, plant and equipment note. The changes does not specifically require a reclassification as the balance of property, plant and equipment is consistent with the prior year and does not affect presentation on the Statement of Financial Position:

- Furniture and fittings has been consolidated with Office equipment; and
- Specialised vehicles has been consolidated with Motor vehicles.

Therefore, no reclassification was considered necessary.

#### Pledged as security

No assets were pledged as security during the current and previous year.

#### Other information

There are no assets on the fixed asset register that are fully depreciated and still in use. All assets that are fully depreciated or impaired are separately located and will be disposed of in terms of a Council resolution.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### 11. Property, plant and equipment (continued)

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

Refer appendix A for more details.

### 12. Intangible assets

	2018		2017			
	Cost	Accumulated amortisation and accumulated impairment	Carrying value	Cost	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	2,540,644	-	2,540,644	1,517,079	-	1,517,079

### Reconciliation of intangible assets - 2018

	Opening balance	Additions	Total
Computer software	1,517,079	1,023,565	2,540,644

### Reconciliation of intangible assets - 2017

	Opening balance	Additions	Total
Computer software	86,885	1,430,194	1,517,079

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### 12. Intangible assets (continued)

#### Computer software

##### CQS Software

CQS Software (Caseware) is used as an aid in the preparation of the annual financial statements. The implementation of the software consist of two components i.e. template and annual licence fees. The template is an once off purchase and has an infinite lifespan. The annual licence fee is required to operate the template and is expensed annually.

##### Financial System (APPX)

The financial system was initiated through an annual licence fee with no initial purchase price. The software was then internally developed to meet the financial and other processing and reporting requirements of the municipality. The asset meets the definition of an intangible asset, but does not meet the recognition criteria as the cost cannot be measured reliably. The major cost of development of the system was incurred between 1987 and 1989. Subsequently, the major portion of costs to date was incurred for the maintenance of the system.

##### Performance Management System

The performance management system was developed internally with the use of a consultant. The asset meets the definition of an intangible asset, but does not meet the recognition criteria as the internal cost cannot be measured reliably. The cost of the consultant however amounted to R258 959.

##### SAGE Evolution

The SAGE Evolution System was procured during the previous financial year to ensure that the municipality meets the Municipal Standard Chart of Accounts requirements which is effective from 1 July 2017. The intangible asset was regarded as work in progress at the end of the prior year as the system was not ready for use as at 30 June 2017. The System was further enhanced during the current year and is still not operating adequately. The System is therefore still regarded as work in progress.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand

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### 13. Heritage assets

	2018			2017		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Conservation areas	16,212,500	-	16,212,500	16,212,500	-	16,212,500

#### Heritage assets held at cost

A register containing the information required by section 63 of the Municipal Finance Management Act 56 of 2003 is available for inspection at the registered office of the Sarah Baartman District Municipality.

Refer appendix A for more details.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>14. Long-term receivables</b>		
Disciplinary action recoveries	174,196	186,196
Study advances	54,171	51,748
	<b>228,367</b>	<b>237,944</b>

Classified as a financial asset and measured at fair value.

Study advances relates to amounts paid on behalf of employees to tertiary institutions for the furthering of the employees' development. These advances are repaid monthly by the employee, in terms of agreements entered into with the applicable employees, in the event that the employees do not pass their respective modules.

## 15. Payables from exchange transactions

Accrued annual bonus	420,090	418,855
Accrued expenses	5,311,537	8,367,772
Accrued leave pay *	783,342	1,305,656
Employee costs	21,372	48,433
Ikwezi Municipality - MIG	-	67,084
Infrastructure levies	-	490,000
Makana Municipality - MIG	1,714,428	22,084,677
Makana Municipality - MIG Interest	2,808,388	1,333,348
Payments in advance - Other	297,541	123,918
Provincial pensioners	-	428,290
Sundry creditors	-	9,049
Trade payables	363,412	594,162
Unidentified deposits	16,760	591
	<b>11,736,870</b>	<b>35,271,835</b>

\* Not financial instruments.

Normal terms of payment is 30 days and no amortisation was calculated.

### Makana Municipality MIG

The municipality received an amount of R24.764 million through the Division of Revenue Act on behalf of Makana Municipality. The grant was transferred to SBDM to ensure proper management of the grant funds in terms of the MFMA and the grant conditions. A Service Level Agreement was entered into between the SBDM and Makana Municipality to manage the proper disbursement of the current MIG allocation as well as the approved rollover amount. An application for rollover of the balance was made for the current year and prior year to National Treasury by the SBDM. The application in the prior year was partially approved. An amount of R4.5 million was not approved. The municipality has submitted a rollover application to National Treasury on 31 August 2018 for an amount of R1 714 428.

### Provincial pensioners

When the roadworks, emergency medical services and health function was transferred to Province, the municipality was requested to administer the payments to pensioners as the provincial system could not accommodate past employees. An agreement was entered into between the municipality and Province whereby Province would pay the pensioners' annual amount to the municipality and the municipality administers the monthly payment.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### 16. Unspent conditional grants and receipts

The balance for the Unspent conditional grants and receipts for both the current year and prior year is R nil.

See note 47 and 48 for disclosure requirements in terms of section 123 (1) of the MFMA.

A complete list of all conditions are available for viewing at the municipality during office hours.

### 17. Employee benefit obligations

Changes in the present value of the defined benefit obligation are as follows:

Opening balance	59,864,357	62,942,328
Contributions (benefits) paid	(4,239,348)	(4,072,190)
Current service costs	324,348	412,374
Actuarial (gain) / loss	(2,816,144)	(4,847,635)
Interest costs (discounting)	5,390,732	5,429,480
	<b>58,523,945</b>	<b>59,864,357</b>

The estimated expected timing of resulting outflows of post employment medical benefits are:

Within one year	4,375,778	4,172,583
Later than one year, not later than five years	14,624,836	14,959,798
Later than five years	39,523,331	40,731,976
	<b>58,523,945</b>	<b>59,864,357</b>

The amounts recognised in the statement of financial position are as follows:

Long-term portion of post-employment medical benefit	(54,148,167)	(55,691,774)
Short-term portion of post-employment medical benefit	(4,375,778)	(4,172,583)
	<b>(58,523,945)</b>	<b>(59,864,357)</b>

The present value of the defined benefit obligation for the current annual period compared to the previous four annual periods are as follows:

Financial period 2013/2014	62,002,301
Financial period 2014/2015	65,388,009
Financial period 2015/2016	62,942,328
Financial period 2016/2017	59,864,357
Financial period 2017/2018	58,523,945

### Accumulative actuarial gains and losses

Balance at the beginning of the year	(3,930,743)	(8,778,378)
Projected during the year	2,816,144	4,847,635
	<b>(1,114,599)</b>	<b>(3,930,743)</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### **17. Employee benefit obligations (continued)**

#### **Post Retirement fund benefits**

Employees and council contribute to Cape Joint Retirement Fund on the basis of a fixed contribution, which is expensed.

The municipality's net obligation in respect of post employment medical benefits was calculated by ARCH Actuarial Consulting as at 30 June 2018 and 30 June 2017. The provision was established for the purpose of generating interest that is utilised to fund the yearly medical scheme commitments in respect of post employment medical benefits. The expected future outflows is dependent upon the life expectancy of existing members and their spouses.

82 Principle members are currently covered by the fund (2017 : 82 members).

#### **Valuation method**

The death in-service benefit is regarded as a post-employment liability under the requirements of the Standards of GRAP 25.

#### ***Post-retirement benefits***

The method of accrual that has been used in the valuation is based on the length of service at the valuation date relative to the total potential service until the expected retirement date. The future-service liability is the difference between the total liability and the past-service liability.

#### ***Accrued defined benefit obligation***

The accrued liability is the value of the employer's share of the contribution - based liability.

#### ***Current service cost***

The current service cost for the following year is determined as the amount assumed to accrue to the member over the next twelve months.

#### **Value assumptions**

##### ***Rate of interest***

Medical aid inflation rate 7.21% p.a.

Investment return 9.33% p.a.

The discount rate was deduced from interest rate data obtained from the Johannesburg Stock Exchange after the market close on 29 June 2018. The corresponding index-linked yield at this term was 2.95% using the discount rate of 9.33% per annum.

A Health Care Cost inflation rate of 7.21% has been assumed. This is 1.50% in excess of expected CPI inflation over the expected term of the liability, namely 5.71%. A larger differential will be unsustainable, eventually forcing members to less expensive options. This implies a net discount rate of 1.98%. The expected inflation assumption of 5.71% was obtained from the differential between market yields on index-linked bonds consistent with the estimated term of the liabilities (2.95%) and those of fixed interest bonds (9.33%) with a risk premium adjustment for the uncertainty implicit in guaranteeing real increases (0.50%).

The next contribution increase was assumed to occur with effect from 1 January 2019.



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### 17. Employee benefit obligations (continued)

#### *Mortality rates*

Mortality for pre-retirement benefits has been based on the SA 85-90 mortality table rated down by three years for females and on the PA (90) ultimate table, adjusted downwards by one year of age for males.

#### *Average retirement age*

The Normal Retirement Age of employees is 65. It has been assumed that male in-service members will retire at the age of 63 and female in-service members will retire at the age of 60, which then implicitly allows for expected rates of ill-health, early and late retirement.

#### *Family profile*

It was assumed that female spouses will be 3 years younger than their male counterparts. Further, it was assumed that 90% of eligible employees on a health care arrangement at retirement will have an adult dependant. For current retiree members, actual medical aid dependants were used and the potential for remarriage was ignored.

#### *Withdrawals*

Where an in-service member leaves, the employer's liability in respect of the employee ceases and caution was taken in not overstating the withdrawal rates. The assumed rates are as follows:

Age	Females	Males
20	24%	16%
25	24%	16
30	18%	12%
35	15%	10%
40	10%	8%
45	6%	6%
50	4%	4%
55	2%	2%
>55	0%	0%

#### *Medical aid contributions at retirement*

It is assumed that all the members will remain members of the medical aid scheme after retirement and that members would be in the same contribution category in all future years as on the valuation date.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand 2018 2017

### 18. Provisions

#### Reconciliation of provisions - 2018

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	49,391	202,318	57,629	(107,020)	202,318
Long service bonus	1,018,933	480,505	773,693	(1,792,626)	480,505
<b>Balance at end of year</b>	<b>1,068,324</b>	<b>682,823</b>	<b>831,322</b>	<b>(1,899,646)</b>	<b>682,823</b>

#### Reconciliation of provisions - 2017

	Opening Balance	Additions	Utilised during the year	Reversed during the year	Total
Performance bonus	236,542	49,391	(50,814)	(185,728)	49,391
Long service bonus	482,917	1,018,933	(434,804)	(48,113)	1,018,933
	<b>719,459</b>	<b>1,068,324</b>	<b>(485,618)</b>	<b>(233,841)</b>	<b>1,068,324</b>

#### Performance bonus provision

Performance bonuses are calculated based on performance agreements, which are linked to key performance indicators in the performance plans of the Municipal Manager and Directors. The key performance indicators is directly linked to the Service Delivery and Budget Implementation Plan. Bonuses are expected to be paid during the following financial year dependent on the outcome of the performance reviews and council approval.

#### Long service bonus provision

Long service bonuses are calculated based on South African Local Government Association regulations. These bonuses are payable in the financial year in which the employees reach the required number of years of service.

### 19. Accumulated surplus

The accumulated surplus is reserved for the following purpose:

General	190,321,018	182,012,234
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The cash backed portion of the accumulated surplus is ring fenced for the following purpose:

General	175,321,018	167,012,234
Restructuring grant funds allocated to surplus	15,000,000	15,000,000
	<b>190,321,018</b>	<b>182,012,234</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
<b>20. <u>Total Revenue - includes</u></b>		
<u>Other revenue:</u>		
Settlement discount received	26,573	25,550
Contribution from skills development fund	49,088	81,155
Job evaluation fees	1,016,318	974,127
Tender deposits	15,952	31,711
Other	49,521	77,138
Total other revenue	<u>1,157,452</u>	<u>1,189,681</u>
 Revenue from exchange transactions		
Rental	1,364,158	1,367,167
Interest income	16,152,007	18,568,768
Income from agency services	47,598	50,023
Total revenue from exchange transactions (excl VAT)	<u>17,563,763</u>	<u>19,985,958</u>
 Revenue from non exchange transactions		
Government grants and subsidies	89,310,000	86,525,000
Reduction in provision for debt impairment	-	1,118,795
Actuarial gain on post employment medical benefit	2,816,144	4,847,635
Other revenue	1,157,452	1,189,681
Total revenue from non exchange transactions	<u>93,283,596</u>	<u>93,681,111</u>
 Total revenue from exchange and non exchange transactions	<u>110,847,359</u>	<u>113,667,069</u>
  Revenue	90,674,158	87,892,167
Other income	20,173,201	25,774,902
Total revenue from exchange and non exchange transactions	<u>110,847,359</u>	<u>113,667,069</u>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### 21. Government grants and subsidies

Equitable share	84,825,000	82,014,000
Grant funding - expenditure reimbursement	4,485,000	4,511,000
	<b>89,310,000</b>	<b>86,525,000</b>

#### Equitable Share

In terms of the Constitution, this grant is used to finance the operations of the institution.

#### DORA

Current-year receipts	4,485,000	4,511,000
Conditions met - transferred to revenue	(4,485,000)	(4,511,000)
<b>Total Government Grants</b>	<b>-</b>	<b>-</b>

The following conditional grants were received through the DORA allocations during the financial year:

R1 250 000 - Finance Management Grant (FMG)  
R1 000 000 - Expanded Public Works Programme Grant (EPWPG)  
R2 235 000 - Rural Roads Asset Management Grant

The conditions of the above grants has been met and the full amounts were transferred to revenue during the year.

### 22. Conditional grants expenditure and other grants and subsidies paid

Under conditional grant expenditure	2,845,442	3,862,375
Under employee costs	498,058	107,893
Under contracted services and general expenses	659,173	-
<b>Total conditional grants and subsidies paid</b>	<b>4,002,673</b>	<b>3,970,268</b>

#### Other grants and subsidies paid

Sundries	149,212	93,148
Fire services subsidies	6,397,300	10,000,000
Cacadu Development Agency (CDA)	5,400,000	4,500,000
Environmental health subsidies	9,494,834	10,000,000
<b>Total other grants and subsidies paid</b>	<b>21,441,346</b>	<b>24,593,148</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### 23. Employee costs

Remuneration of employees	32,610,999	34,593,112
Remuneration of Councillors (Refer Note 25)	7,148,309	6,558,569
<b>Total Employee Costs</b>	<b>39,759,308</b>	<b>41,151,681</b>

The remuneration of employees are determined in accordance with the task grade and the applicable notch allocated to the employees in their positions. The municipality is graded as a Category 5 municipality which effects the remuneration ranges of positions of employees. The municipality operates in accordance with the Collective Agreements entered into between the municipality and Bargaining Council.

Set out below are the details for remuneration paid to Directorate Heads (included in remuneration of employees):

#### Remuneration of Municipal Manager

Annual remuneration	1,210,273	918,777
Car allowance	156,000	130,000
Travel and Subsistence claims	55,134	21,762
Leave sold	-	136,885
Acting allowance	46,811	-
	<b>1,468,218</b>	<b>1,207,424</b>

Mr DM Pillay was the Municipal Manager for a period of 5 years ended 31 December 2016. The post was vacant for a period of 2 months. Mr DM Pillay was reappointed on the 1 March 2017 as the Municipal Manager for a period of 5 years. The prior year remuneration therefore reflects a period of 10 months only.

Mr DM Pillay was seconded to Makana Local Municipality for a period of 5 months during the current financial year and was paid an Acting allowance which was approved by Council.

#### Remuneration of the Director Finance and Corporate Services

Annual remuneration	1,007,809	665,891
Car allowance	120,000	100,000
Performance bonuses	57,629	-
Travel and Subsistence claims	58,150	34,796
Acting allowance	63,314	-
	<b>1,306,902</b>	<b>800,687</b>

Mr RN Lorgat was appointed on 1 September 2016 as Director: Finance and Corporate Services for a period of 7 years. The prior year remuneration therefore reflects a period of 10 months only.

Mr RN Lorgat was appointed by Council to act as Municipal Manager for 3 months of the financial year whilst the Municipal Manager was seconded to Makana Local Municipality.

#### Remuneration of the Director Infrastructure Development and Community Services

Annual Remuneration	466,654	257,187
Car Allowance	60,000	30,000
Performance Bonuses	-	50,814
Travel and Subsistence claims	9,361	55,000
Leave sold	-	81,907
	<b>536,015</b>	<b>474,908</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### 23. Employee costs (continued)

Ms T Betha was appointed on 1 January 2018 as the Director: Economic Development and Planning for a period of 5 years. The current year remuneration therefore reflects a period of 6 months only.

Mr B Makedama was the previous Director : Infrastructure Development and Community Services who's contract ended on 31 October 2016. The prior year remuneration therefore reflects a period of 4 months only.

#### Remuneration of the Director Economic Development and Planning

Annual remuneration	467,909	350,587
Car allowance	60,000	48,000
Travel and subsistence claims	33,291	25,926
Leave sold	-	77,061
Acting Allowance	17,779	-
	<b>578,979</b>	<b>501,574</b>

Ms U Daniels was appointed on 1 January 2018 as the Director: Economic Development and Planning for a period of 5 years. The current year remuneration therefore reflects a period of 6 months only.

Mr P Kate was the previous Director : Economic Development who's contract ended on 30 September 2016. The prior year remuneration therefore reflects a period of 3 months only.

Ms U Daniels was appointed by Council to act as Municipal Manager for 3 months whilst the Municipal Manager was seconded to Makana Local Municipality. This period overlapped into the following financial year.

### 24. Remuneration of councillors

Executive Mayor	915,385	823,873
Speaker	715,594	656,843
Portfolio Councillor: Special Programmes	630,235	613,331
Portfolio Councillor: Economic Development	680,297	649,972
Portfolio Councillor: Finance and Corporate Services	665,584	624,163
Portfolio Councillor: Infrastructure Services and Planning	677,817	618,331
Portfolio Councillor: Tourism	665,584	628,618
Councillors (23)	2,197,813	1,943,438
	<b>7,148,309</b>	<b>6,558,569</b>

#### In-kind benefits

The Executive Mayor and the Mayoral committee members are full time Councillors and are provided with offices and secretarial support at the cost of the Council.

The Executive Mayor and Speaker has the use of a council owned vehicle for official duties.

The disclosed amounts relates directly to the amount paid to the Councillors allocated to the specific Portfolios

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

Figures in Rand	2018	2017
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### 25. Financial instruments - financial assets by category

The accounting policies for financial instruments have been applied to the line items below:

#### 2018

	Financial assets at amortised costs	Total
Receivables from exchange transactions	1,621,290	1,621,290
Receivables from non-exchange transactions	1,567,800	1,567,800
Deposits paid	15,410	15,410
Cash and cash equivalents	56,907,009	56,907,009
Short-term investments	150,000,000	150,000,000
	<b>210,111,509</b>	<b>210,111,509</b>

#### 2017

	Financial assets at amortised cost	Total
Receivables from exchange transactions	1,717,727	1,717,727
Receivables from non-exchange transactions	2,447,817	2,447,817
Deposits paid	15,410	15,410
Cash and cash equivalents	104,943,853	104,943,853
Short-term investments	117,000,000	117,000,000
	<b>226,124,807</b>	<b>226,124,807</b>

### 26. Financial instruments: financial liabilities by category

The accounting policies for financial instruments have been applied to the line items below:

#### 2018

	Financial liabilities at amortised cost	Non financial instruments	Total
Post employment medical benefit	-	54,148,167	54,148,167
Provisions	-	682,823	682,823
Payables from exchange transactions	10,953,528	783,342	11,736,870
Short-term portion of the post employment medical benefit	-	4,375,778	4,375,778
	<b>10,953,528</b>	<b>59,990,110</b>	<b>70,943,638</b>

#### 2017

	Financial liabilities at amortised cost	Non financial instrument	Total
Post employment medical benefit	-	55,691,774	55,691,774
Long-term portion of infrastructure levies	1,122,570	-	1,122,570
Provisions	-	1,068,324	1,068,324
Payables from exchange transactions	33,966,179	1,305,656	35,271,835
Short-term portion of unspent conditional grants	-	-	-
Short-term portion of post employment medical benefit	-	4,172,583	4,172,583
	<b>35,088,749</b>	<b>62,238,337</b>	<b>97,327,086</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

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<b>27. <u>Cash used in operations</u></b>		
Surplus (deficit)	6,696,214	(13,959,360)
<u>Adjustments for:</u>		
Depreciation	1,519,088	1,556,279
Loss on disposal of property, plant and equipment	95,545	1,251,008
Discounting of post employment medical benefit obligation	5,390,732	5,429,480
Impairment	1,082	25,811
Debt impairment	1,297,089	-
Contributions to provisions	(385,501)	348,865
Service costs	324,348	412,374
Prior year corrections	345,481	100,002
Gain on actuarial valuation for post employment medical benefits	(2,816,144)	(4,847,635)
<u>Changes in working capital:</u>		
Receivables from exchange transactions	96,437	(210)
Receivables from non-exchange transactions	880,017	906,669
Payables from exchange transactions	(23,534,965)	9,716,030
VAT receivable	2,401,656	(2,962,923)
	<b>(7,688,921)</b>	<b>(2,023,610)</b>

## 28. Finance Leases

The municipality had no external loans in the form of finance leases during the current year.

## 29. Contingent liabilities

A possible liability existed in respect of a claim from a property owner in St Francis Bay resulting from a fire that broke out during 2013. A summons has been issued for damages to the owner's property, which the municipality was defending. - 6,900,000

A further legal matter arose as a result of the fire that broke out in St Francis Bay during 2013. A summons was received by the municipality whereby the plaintiffs was claiming R6 110 200 for damages against the owners' property. The matter was planned to proceed subject to the outcome of the above matter.

The matter was withdrawn.

A possible liability exists in respect of a claim made against the municipality by the Sunday's River Valley Contractors Association for retention monies on a housing project that was completed. The matter is being defended. 522,725 522,725

**522,725 7,422,725**



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

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### 30. Contingent assets

#### *Current year*

The municipality has no contingent assets.

#### *Prior year*

Defective workmanship by contractor

A possible contingent asset existed in respect of a claim against a contractor in terms of defective workmanship and overpayment for work done in 2003/04 financial year.

Upon the assessment of the case, the attorneys has advised the municipality that the likelihood of success in the case is diminishing as either the key witnesses appears to be reluctant to testify or the witnesses has deceased.

A report on the contingent asset was tabled and resolved by Council on 11 July 2017 and the matter has been abandoned.

### 31. Unauthorised expenditure

No unauthorised expenditure was incurred in the current and previous financial years.

### 32. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	(511,010)	(500,000)
Council subscription	511,010	500,000
Amount paid in advance for the following year	(531,460)	(511,010)
<b>Amount paid in advance (included in receivables)</b>	<b>(531,460)</b>	<b>(511,010)</b>

#### External Audit fees

Current year audit fee	2,867,043	3,038,316
Audit Planning fees for the following year	1,128,664	995,812
Amount paid - current year	(3,995,707)	(4,034,128)
	-	-

#### PAYE, UIF and SDL

Opening balance	175,391	240,843
Current year payroll deductions	8,269,020	7,772,434
Amount paid - current year	(8,156,852)	(7,837,886)
	<b>287,559</b>	<b>175,391</b>

#### Pension and Medical Aid Deductions

Current year payroll deductions and Council Contributions	9,075,510	10,046,711
Amount paid - current year	(9,075,510)	(10,046,711)
	-	-

#### VAT

VAT receivable	2,340,393	4,742,570
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### **32. Additional disclosure in terms of Municipal Finance Management Act (continued)**

All VAT returns have been submitted by the due date throughout the year. All returns submitted for the year were VAT input claims and therefore no VAT output payments were made during the year.

### **33. In-kind donations and assistance**

No donations have occurred during the current year.

### **34. Risk management**

#### **Liquidity risk**

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Stringent cash management procedures are in place. These include cash flow forecasting.

A sensitivity analysis has not been performed and included, as the municipality is not exposed to foreign exchange risk. The municipality does not enter into any foreign exchange transactions and since the municipality effects payments on presentation of invoices, no interest rate charges are applicable. It would thus be misleading to provide a sensitivity analysis.

The following table details the municipality's remaining contractual maturity for its financial liabilities. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the entity can be required to pay. The table includes both estimated interest and principal cash flows.

At 30 June 2018	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years
Trade and other payables	10,953,528	-	-	-

#### **Interest rate risk**

The current account and the call account expose the municipality to an interest rate risk on cash flows. Deposits attract interest at a rate that varies according to the prime banking rate.

The municipality manages this interest rate risk by ensuring that all surplus funds are invested in fixed rate instruments and by maintaining the minimum possible balance in the current account.

The interest rates on the fixed deposits are fixed, but varies from investment to investment.

Should the prime rate vary by 1% in either direction, the effect on the cash balance would be R1.9 million in either direction.

#### **Credit risk**

Credit risk consists mainly of cash deposits, cash equivalents and debtors. The municipality only deposits cash with banks which have an equity above R10 billion with a good credit rating.

The most significant concentration of credit risk is the outstanding receivables. Management believes that the allowance for impairment adequately addresses the credit risk involved.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

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### 35. Events after the reporting date

Management is not aware of any events after the reporting date.

### 36. Compliance with the Municipal Finance Management Act

The municipality has implemented additional controls to ensure compliance with the MFMA. The area of concentration during the current and previous year was the revised Supply Chain Management Regulations which became effective during the prior year. The municipality has improved the controls during the current and prior year to ensure compliance with the policy and regulations. The controls have been implemented and are being implemented and monitored.

The municipality was also required to effectively implement the new Municipal Standard Chart of Accounts (mSCOA) from 1 July 2017. The implication of complying with mSCOA is that the municipality was required to procure a new Enterprise Resource Planning (ERP) system to ensure that all transactions meet the requirements of the new Chart of Accounts.

Management is not aware of any other non-compliance by the municipality that would require disclosure in the financial statements.

### 37. Irregular expenditure

Opening balance	2,974,226	1,970,154
Add: Irregular Expenditure - current year	161,089	1,251,427
Less: Expenditure certified as irrecoverable / written off by Council	(2,962,226)	(247,355)
	<b>173,089</b>	<b>2,974,226</b>

#### Details of irregular expenditure

#### Details of irregular expenditure

Traded with suppliers who are in the service of the state	-	12,000
Deviations not considered valid	-	1,115,535
Bids awarded in prior years did not comply with supply chain management regulations	161,089	55,444
No formal quotation process followed	-	57,948
3 quotes not obtained	-	10,500
	<b>161,089</b>	<b>1,251,427</b>

On 22 August 2018, the Council condoned / wrote off an amount of R173 089 relating to incidents of irregular expenditure raised in the prior year and current year. No criminal processes were required on any of the incidents of irregular expenditure. Although there has been contravention of the procurement processes and procedures, goods and services have been received.

### 38. Related parties

#### **Cacadu District Development Agency**

The wholly-owned municipal entity, Cacadu District Development Agency (CDDA) continued its operations in the current year.

The municipality has provided the CDDA with an unconditional grant of R5 400 000 to fund the operations of the Agency for the 2017/18 financial year and R4 500 000.

There were no other transactions between the municipality and CDDA.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

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### 38. Related parties (continued)

#### Post retirement medical aid benefit plan

The municipality, as part of the conditions of service of employees, keeps on contributing its portion of the contributing members to medical aid funds at the retirement of these employees for as long as this member is alive and contributing his or her portion.

The medical aid schemes involved are as follows:

- Bonitas
- Hosmed/ Key Health
- LA Health
- Samwumed

Transactions with these schemes amounted to R5 319 920 (2017: R5 154 626)

#### Councillors and employees

Councillors and employees have declared no interest or gain in or from any transaction entered into with the municipality by any organisation or business.

The following interests in institutions have been declared, but no transactions have been entered into:

<u>Employee</u>	<u>Entity Name</u>	<u>Transactions</u>
Mr K Majokweni	Gem Development & Trading Services (Pty) Ltd	None
Mrs T Mafongosi	Endieleni Liquor Stores	None
Mr R Lorgat	RNL Business & Property Consultants RNL Investments (Pty) Ltd	None None
Mr D Mbolekwa	Bravorox	None
Mr L Madlakana	Gxothindlala Construction	None
Mrs N Mlenzana	Pantium Trading	None
Ms X Ben	Sherpa Trade Invest 89 (Pty) Ltd EzikaHinsta CHD Freight Trucking & Plant Hire AB 350 (Pty) Ltd AX Dynamic Enterprise	None None None None
Ms Z Sibeko	Kuzi Fishing EL Olom Trading Isifingo	None None None
Mrs G David	Jumpstart CC	None
Mr E Goliath	CHED Holdings	None

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### 38. Related parties (continued)

<u>Councillor</u>	<u>Entity Name</u>	<u>Transactions</u>
Mr H M Hendricks	Didi's Transport CC	None
Mr V S Stuurman	Manufacturing Processing	None
Mr R M J Gailey	CRH Holdings & Ranger Drops	None
	Melro Farming & Trading	None
	Fair Game Safaris	None
	HPFT Rory Gailey Family Trust	None
	Partnership CRH Holdings	None
	Partnership Game Breeders	None
Mr S Lucas	Dixy Management Services	None
Ms N Pieters	Liqhayiya Trading	None
	Atmoline (Pty) Ltd	None
Mrs C Reeders	Reeders Family Trust	None
Mr D J Bezuidenout	Sakkies Housing Development CC	None
	Longfield Trust	None
Mr T Grootboom	Iqhawe Development Enterprise	None
Mr A Mboneni	CBG Co-operative	None
Mr S Sodladla	Uthuthu (Pty) Ltd	None
	Makana-Mobi Jym	None
Mr F Yake	Trustee of Drie Krone Farm	None
Mr J Britz	50% Shareholding in Kiepersol 17 Eiendoms	None
	Ontwikkeling CC	None
	Britz Attorneys	None
Mr L Nase	Nase Trading Enterprise	None
Ms K Smith	Partnership in AVCTION Room	None

### Awards to close family members of persons in the service of the state

The municipality is not aware of any incidents where awards were made to close family members in the service of the state during both the current year and the previous year.

### Key management personnel

The following are persons having authority and responsibility for planning, directing and controlling the activities of the municipality, directly or indirectly, including any director of the municipality: Executive Mayor, Speaker, Mayoral Committee members, Councillors, Municipal Manager and Directors

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

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### 39. Significant estimates and judgements

The preparation of SBDM's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent assets and liabilities, at the reporting date. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the assets or liabilities affected in the future.

#### Judgements

In the process of applying the municipality's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amounts recognised in the financial statements:

##### Receivables from exchange and non exchange transactions

Management has assessed the recoverability of the receivables and has raised a provision for doubtful debts to ensure that the amounts disclosed as receivables are recoverable.

#### Estimates and assumptions

The key assumptions concerning the future and other key sources of estimation uncertainty at financial reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

##### Post employment medical benefit

The cost of post employment medical benefit is determined using actuarial valuations. The actuarial valuation involves making assumptions about discount rates, medical aid inflation rate, future salary increases, mortality rates and future medical aid premiums, future subsidies payable to dependants, working life time of employees, gender and spouse assumptions and child dependence and withdrawals. Such estimates are subject to significant uncertainty relating actuarial assumptions. The net employee liability at 30 June 2018 is R58 523 945 (2017: R59 864 357). Further details are provided in Note 17.

##### Property, plant and equipment

The estimates and associated assumptions are based on the historical experience and management's estimation of conditions. Limited changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated useful lives in the prior years, are still appropriate.

Residual values of property, plant and equipment are based on the nature of the assets, quotes obtained from suppliers and management's estimation of the condition of the assets. Limited changes were made to the useful lives of property, plant and equipment, as management assessed that the estimated residual values determined in the prior year, remained appropriate.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

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### 40. Standards of GRAP issued but not yet effective

The following standards have been issued but are not yet effective:

GRAP 20:	Related Party Disclosures
GRAP 32:	Service Concession Arrangements - Grantor
GRAP 34:	Seperate Financial Statements
GRAP 35:	Consolidated Financial Statements
GRAP 36:	Investments in Associates and Joint Ventures
GRAP 37:	Joint Arrangements
GRAP 38:	Disclosure of interest in other entities
GRAP 108:	Statutory Receivables
GRAP 109:	Accounting by Principals and Agents
GRAP 110:	Living and Non-Living Resources

#### GRAP 20: Related Party Disclosures

The objective of this Standard is to ensure that a reporting entity's financial statements contain the disclosures necessary to draw attention to the possibility that its financial position and surplus or deficit may have been affected by the existence of related parties and by transactions and outstanding balances with such parties.

The effect on the financial statements of introducing this standard will require the municipality to implement additional procedures to ensure that all the required information is collected in a controlled manner to ensure the completeness of the disclosures required.

#### GRAP 32: Service Concession Arrangements - Grantor

The objective of this Standard is to prescribe the accounting for service concession arrangements by the grantor, a public sector entity.

The financial statements of the municipality will not be effected by this standard unless the municipality enters into any Service Concession Arrangements, whereby assets of the municipality are used to generate revenue by a 3rd party.

#### GRAP 34: Seperate Financial Statements

The objective of this Standard is to prescribe the accounting and disclosure requirements for investments in controlled entities, joint ventures and associates when an entity prepares separate financial statements.

The effect on the financial statement s would be minimal as the prescribe accounting and disclosure requirements have already been applied for the Cacadu District Development Agency.

#### GRAP 35: Consolidated Financial Statements

The objective of this Standard is to establish principles for the presentation and preparation of consolidated financial statements when an entity controls one or more other entities.

The effect on the financial statements would be minimal as the principles for presentation and preparation of consolidated financial statements have been applied for the Cacadu District Development Agency.

#### GRAP 36: Investments in Associates and Joint Ventures

The objective of this Standard is to prescribe the accounting for investments in associates and joint ventures and to set out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

## Notes to the Financial Statements

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### 40. Standards of GRAP issued but not yet effective (continued)

The financial statements of the municipality will not be effected unless the municipality enters into an agreement which will result in either a Joint venture or an Associate.

#### GRAP 37: Joint Arrangements

The objective of this Standard is to establish principles for financial reporting by entities that have an interest in arrangements that are controlled jointly (i.e. joint arrangements).

The financial statements of the municipality will not be effected unless the municipality enters into an agreement of a Joint arrangement.

#### GRAP 38: Disclosure of interest in other entities

The objective of this Standard is to require an entity to disclose information that enables users of its financial statements to evaluate the nature of, and risks associated with, its interests in controlled entities, unconsolidated controlled entities, joint arrangements and associates, and structured entities that are not consolidated; and the effects of those interests on its financial position, financial performance and cash flows.

The effect on the financial statements would be minimal as the Disclosure of interest in other entities have been applied for the Cacadu District Development Agency.

#### GRAP 108: Statutory Receivables

The objective of this Standard is to prescribe accounting requirements for the recognition, measurement, presentation and disclosure of statutory receivables.

The effect on the financial statements of introducing this standard is not material as most of the principles in the standard is already applied or the information readily available.

#### GRAP 109: Accounting by Principals and Agents

The objective of this Standard is to outline principles to be used by an entity to assess whether it is party to a principal-agent arrangement, and whether it is a principal or an agent in undertaking transactions in terms of such an arrangement.

This Standard does not introduce new recognition or measurement requirements for revenue, expenses, assets and/or liabilities that result from principal-agent arrangements. The Standard does however provide guidance on whether revenue, expenses, assets and/or liabilities should be recognised by an agent or a principal, as well as prescribe what information should be disclosed when an entity is a principal or an agent.

The effect on the financial statements of introducing this standard is not material as most of the principles in the standard would not be applicable to the municipality unless the municipality enters into a principal-agent agreement.

#### GRAP 110: Living and Non-Living Resources

The objective of this Standard is to prescribe recognition, measurement, presentation and disclosure requirements for living resources and non-living resources.

The effect on the financial statements of introducing this standard is not applicable to the municipality unless the municipality acquires living and non-living resources.



# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

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### 41. Deviations

The following deviations from the supply chain management policy were approved by the Accounting Officer during the financial year:

<u>Reasons</u>	<u>No. of incidents</u>		
Emergency	2	38,187	287,860
Goods or services are produced or available from a single provider	8	1,045,529	1,333,506
In any other exceptional case where it is impractical to follow supply chain processes	17	1,171,883	3,882,137
		<b>2,255,599</b>	<b>5,503,503</b>

### 42. Change in estimate

#### Property, plant and equipment

The municipality has reassessed the useful lives and residual values of property, plant and equipment which resulted in certain computer equipment, office equipment and furniture and fittings' remaining useful lives being adjusted based on the condition of the assets. The residual values of the assets have also been reassessed and adjusted where necessary. The effect of the change in accounting estimate has resulted in an increase in depreciation amounting to R 61,649 for the current period (2017: R 2,990). The effect on future periods could not reasonably be determined.

### 43. Fruitless and wasteful expenditure

Opening balance	320,387	296,812
Current year	-	23,575
Less: Expenditure certified as irrecoverable / written off by Council	(318,012)	-
	<b>2,375</b>	<b>320,387</b>

Details of fruitless and wasteful expenditure:

#### Current year

There were no incidents of fruitless and wasteful expenditure identified during the year.

#### Prior year

Catering for 2 events was arranged in accordance with supply chain management processes. The events were postponed and the caterers were not informed timeously. The catering was provided in vain and the municipality was required to make the necessary payments.

Penalties were raised by SARS on VAT Input claims that were disallowed in both the current (R2 375) and prior year (R4 000).

On 22 August 2018, the Council condoned / wrote off an amount of R2 375 relating to incidents of fruitless and wasteful expenditure raised in the prior year.

# SARAH BAARTMAN DISTRICT MUNICIPALITY

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### 44. Budget differences

#### Material differences between budget and actual amounts

Variances in the budgeted amounts and the actual amounts are considered material when the actual amount is more than 10% lower than the budgeted amount for both revenue and expenditure as well as where revenue exceeds 5% of the budgeted amount.

The material variances are as follows:

#### **Other own revenue**

Based on the principles of budgeting, this area is utilised to fund the budget of the municipality and therefore the budgeted amount is high. The amount reflected in the financial statements is however only the actual other revenue received during the year. The variance therefore relates to the portion utilised to balance the revenue budget from accumulated surplus.

#### **Employee costs**

The variance of 32% was attributable to vacancies that could not be filled due to the Council placing a Moratorium on the filling of vacancies in October 2016 which continued during the current year. This has resulted in savings in employee related costs.

#### **Transfers and grants**

The variance of 13% was attributable to a portion of the fire subsidy not being paid over to the local municipalities who did not meet the conditions set out in the service level agreements entered into.

#### **Other expenditure**

The variance of 39% is mainly due to under-expenditure on own-funded projects. Other factors that contributed to the variance are cost-savings on operational activities, as well as instances of over-estimation of budgets on projects.

#### **Capital expenditure**

The variance of 52% is mainly due assets that were awarded at year end but was not yet received. The expenditure will thus only be reflected in the following financial year.

### 45. General expenses

Advertising and promotions	1,299,504	758,481
Auditors fees	3,589,461	3,635,540
Catering	943,923	532,318
Congress and visits	2,183,797	1,941,817
General - other	1,085,994	1,234,078
Insurance	339,346	297,514
Legal expenses	500,274	3,054,243
Licences	835,426	525,750
Fuel and oil	801,570	1,295,833
Printing and stationery	892,616	1,149,889
Publications	607,772	995,877
Project costs	12,274,008	25,818,702
Subscriptions	637,272	567,289
Telephone and fax	486,546	830,059
Training and development	916,553	556,367
Utilities	1,006,292	1,020,381
	<b>28,400,354</b>	<b>44,214,138</b>

# SARAH BAARTMAN DISTRICT MUNICIPALITY

Financial Statements for the year ended 30 June 2018

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### 46. Commitments

#### Capital expenditure

Approved and contracted for	762,058	4,856,647
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This committed expenditure relates to capital assets and will be financed by retained surpluses

#### Non-capital expenditure

Approved and contracted for	16,976,839	11,137,027
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This non-capital expenditure relates to other commitments and will be financed by conditional grants and retained surpluses.

### Operating leases - as lessor (income)

#### Minimum lease payments due

- within one year	1,714,900	1,594,206
- from second to fifth year inclusive	851,650	2,480,609
- later than five years	103	204
	<b>2,566,653</b>	<b>4,075,019</b>

Certain of the municipality's land and buildings is held to generate rental income. Lease agreements have terms ranging from 6 months and not exceeding 10 years. There are no contingent rents receivable.

Most of the land and buildings are leased to organs of state and are leased at below market-related rental values. These leases are entered into either to assist the organs of state in their operations or to promote and stimulate economic activity within the Sarah Baartman District area. These rental revenues therefore translates to approximately only 3% of the total rental revenue of the municipality.

The ground floor of the municipal office building is leased to Standard Bank for a period of 5 years. The rental revenue received from this arrangement approximates 96% of the total rental revenue of the municipality.

The following leases were entered into with individuals and entities that are not organs of state and were charged below market-related rentals:

**D Cannon** - The Council resolved to lease the private dwelling in Alexandria on a temporary basis. The intention of Council was that the occupation of the dwelling would prevent vandalism whilst the Council is assessing the future use of the property.

**P Tieman** - The Council resolved to lease the depot in Jansenville for the premises to be utilised as a bodyshop. This decision was taken to assist the individual in establishing a business which is intended to promote economic development in the area.

**Siyahluma Gardening Project Primary Co-operative Ltd** - The Council resolved to lease a 10ha portion of land in Addo to the Co-operative. This decision was taken to assist the Co-operative in establishing a business which is intended to promote economic development in the area.

**ANC Parliamentary Constituency Fund** - The Council resolved to lease a building in Hankey (previously used as a clinic) to be utilised as office premises. The intention of Council was that the occupation of the building would prevent vandalism and ensure that the building is maintained by the lessee.

**SARAH BAARTMAN DISTRICT MUNICIPALITY**  
Financial Statements for the year ended 30 June 2018

**Notes to the Financial Statements**

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**47. Conditional grants and receipts**

	UNSPENT BALANCE 30 JUNE 2017 RAND	CONTRIBUTIONS/ ADJUSTMENTS RAND	INTEREST ALLOCATED RAND	VALUE ADDED TAXATION RAND	CURRENT YEAR RECEIPTS RAND	TRANSFER TO REVENUE RAND	CAPITAL EXPENDITURE RAND	UNSPENT BALANCE 30 JUNE 2018 RAND
FINANCE MANAGEMENT GRANT	-	-	-	(92,769)	1,250,000	(1,157,231)	-	-
RURAL ROADS ASSET MANAGEMENT GRANT	-	-	-	(274,474)	2,235,000	(1,960,526)	-	-
EXPANDED PUBLIC WORKS PROGRAMME	-	-	-	(115,084)	1,000,000	(884,916)	-	-
	-	-	-	(482,327)	4,485,000	(4,002,673)	-	-

# **SARAH BAARTMAN DISTRICT MUNICIPALITY**

Financial Statements for the year ended 30 June 2018

Notes to the Financial Statements

Figures in Rand

## **48. DISCLOSURE OF GRANTS AND SUBSIDIES IN TERMS OF SECTION 123 OF MFMA, 56 OF 2003**

Name of Grant	Name of Organ of state	2017/2018 Quarterly Receipts			2017/2018 Quarterly Expenditure			June Rand	2017/2018 Subsidies Delayed / Withheld Rand	Reason for delay/ withholding funds	Reason to non Compliance Y/N
		Sept	Dec	Mar	Sept	Dec	Mar				
		Rand	Rand	Rand	Rand	Rand	Rand	Rand			
FINANCE MANAGEMENT GRANT	National Government	1,250,000	-	-	90,556	385,834	581,989	191,621	-	N/A	YES
RURAL ROADS ASSET MANAGEMENT GRANT	National Government	1,565,000	-	670,000	663,770	1,284,542	77,916	208,772	-	N/A	YES
EXPANDED PUBLIC WORKS PROGRAMME	National Government	250,000	-	750,000	-	562,020	11,680	426,300	-	N/A	YES
		3,065,000	-	1,420,000	-	754,326	2,232,396	671,585	-		

# SARAH BAARTMAN DISTRICT MUNICIPALITY

## APPENDIX A

June 2018

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2018

Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Revaluations Rand	Additions Rand	Disposals/ transfers Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Disposal Rand	Impairment Rand	Closing Balance Rand	Carrying Value Rand
<b>Land</b>											
Investment Property	6,082,500	-	-	-	6,082,500	-	-	-	-	-	6,082,500
PPE	1,754,636	-	-	-	1,754,636	-	-	-	-	-	1,754,636
Heritage	13,765,000	-	-	-	13,765,000	-	-	-	-	-	13,765,000
<b>Buildings</b>											
Investment Property	6,560,500	-	-	-	6,560,500	-	3,278	-	-	3,278	6,557,222
PPE	6,741,521	-	505,319	-	7,246,840	-	33,928	-	-	33,928	7,212,912
Heritage	2,447,500	-	-	-	2,447,500	-	-	-	-	-	2,447,500
<b>Furniture and Fixtures</b>											
PPE	2,369,059	-	22,375	36,783	2,354,651	1,221,214	112,893	26,409	-807	1,308,505	1,046,146
<b>Specialised Vehicles</b>											
PPE	275,159	-	-	-	275,159	197,677	4,897	-	-	202,574	72,584
<b>Office Equipment</b>											
PPE	2,491,511	-	54,272	16,794	2,528,988	935,091	211,357	14,936	-275	1,131,787	1,397,201
<b>Computer Equipment</b>											
Intangible Asset	1,517,079	-	1,023,565	-	2,540,644	-	-	-	-	-	2,540,644
PPE	4,264,572	-	202,579	369,373	4,097,778	2,811,475	390,282	342,836	-	2,858,921	1,238,857
<b>Bins and Containers</b>											
PPE	98,988	-	-	-	98,988	56,197	7,935	-	-	64,132	34,857
<b>Motor Vehicles</b>											
PPE	8,465,568	-	249,995	662,905	8,052,658	4,138,710	679,133	506,921.00	-	4,310,923	3,741,736
<b>Specialised Plant and Machinery</b>											
PPE	2,053,732	-	6,692	21,423	2,039,001	1,292,960	75,385	21,416	-	1,346,929	692,071
	58,887,326	-	2,064,795	1,107,278	59,844,844	10,653,324	1,519,089	912,519	-1,082	11,260,977	48,583,867

# SARAH BAARTMAN DISTRICT MUNICIPALITY

## APPENDIX A

June 2018

### ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTIES AND INTANGIBLE ASSETS AS AT 30 JUNE 2018

Cost/Revaluation

Accumulated Depreciation

	Opening Balance Rand	Revaluations Rand	Additions	Disposals/ transfers Rand	Closing Balance Rand	Opening Balance Rand	Depreciation Rand	Depr on Dispal Rand	Impairment Rand	Closing Balance Rand	Carrying Value Rand
Land	21,602,136	-	-	-	21,602,136	-	-	-	-	-	21,602,136
Buildings	15,749,521	-	505,319	-	16,254,840	-	37,205	-	-	37,205	16,217,635
Furniture and fittings	2,369,059	-	22,375	36,783	2,354,651	1,221,214	112,893	26,409	-807	1,308,505	1,046,146
Specialised vehicles	275,159	-	-	-	275,159	197,677	4,897	-	-	202,574	72,584
Office equipment	2,491,511	-	54,272	16,794	2,528,988	935,091	211,357	14,936	-275	1,131,787	1,397,201
Computer equipment	5,781,651	-	1,226,143	369,373	6,638,422	2,811,475	390,282	342,836	0	2,858,921	3,779,501
Bins and containers	98,988	-	-	-	98,988	56,197	7,935	-	-	64,132	34,857
Motor vehicles	8,465,568	-	249,995	662,905	8,052,658	4,138,710	679,133	-	0	4,310,923	3,741,736
Specialised Plant and machinery	2,053,732	-	6,692	21,423	2,039,001	1,292,960	75,385	21,416	0	1,346,929	692,071
<b>Total</b>	<b>58,887,326</b>	<b>-</b>	<b>2,064,795</b>	<b>1,107,278</b>	<b>59,844,844</b>	<b>10,653,324</b>	<b>1,519,089</b>	<b>405,598</b>	<b>-1,082</b>	<b>11,260,977</b>	<b>48,583,867</b>

## APPENDIX B

**SEGMENTAL ANALYSIS OF PROPERTY PLANT AND EQUIPMENT, INVESTMENT PROPERTY AND INTANGIBLE ASSETS AS AT 30 JUNE 2018**

	<b>Cost / Revaluations</b>	<b>Accumulated Depreciation</b>
Property, plant and equipment	1,000	1,000
Investment property	1,000	1,000
Intangible assets	1,000	1,000
<b>Total</b>	<b>3,000</b>	<b>3,000</b>

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**SARAH BAARTMAN DISTRICT MUNICIPALITY**  
**UNAUDITED APPENDIX C**

**SEGMENTAL STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2018**

	2017		2018			2018		
	Actual Income Rand	Actual Expenditure Rand	Actual Income Rand	Actual Expenditure Rand		Actual Income Rand	Actual Expenditure Rand	Surplus/ (Deficit) Rand
Executive and Council	1,068,583	24,000,059		10,617,761				(10,617,761)
Finance and Administration	104,439,639	31,825,167	108,001,916	43,982,077				64,019,839
Planning and Development	1,000,000	23,235,689	884,916	18,770,103				(17,885,187)
Health	4,847,635	17,446,378		10,966,944				(10,966,944)
Community and Social services	-	1,128,449		43,463				(43,463)
Housing	-	439,302		644,455				(644,455)
Public safety	-	26,761,783		15,870,610				(15,870,610)
Sport and Recreation	-	147,917		-				-
Waste Management	-	-		-				-
Road Transport	2,261,000	2,131,874	1,960,526	2,707,835				(747,308)
Water	50,212	509,811		547,897				(547,897)
Electricity	-	-		-				-
<b>Total</b>	<b>113,667,069</b>	<b>127,626,429</b>	<b>110,847,358</b>	<b>104,151,145</b>				<b>6,696,214</b>

**SARAH BAARTMAN DISTRICT MUNICIPALITY**  
**UNAUDITED APPENDIX D**

**INVESTMENTS FOR PERIOD 1 JULY 2017 TO 30 JUNE 2018**

FINANCIAL INSTITUTION	ACCOUNT NUMBER	PERIOD MNTHS	% INT RATE	DATE INVESTED	DATE MATURING	INVEST/MATURE 2017/2018	BALANCE 30 JUNE 2018
FNB	74450730731	12	8.36%	05-Jul-16	04-Jul-17	5,000,000	
STANDARD BANK	088430537195	12	8.65%	05-Jul-16	04-Jul-17	10,000,000	
ABSA GROUP	2076331855	10	8.30%	15-Sep-16	17-Jul-17	10,000,000	
STANDARD BANK	088430537196	9	8.32%	25-Oct-16	25-Jul-17	8,000,000	
ABSA GROUP	2076332380	11	8.36%	15-Sep-16	15-Aug-17	7,000,000	
ABSA GROUP	2076422371	10	8.20%	25-Oct-16	28-Aug-17	10,000,000	
STANDARD BANK	088430537198	5	8.18%	30-Mar-17	30-Aug-17	8,000,000	
NEDBANK	7881501480000148	12	8.32%	15-Sep-16	14-Sep-17	5,000,000	
ABSA GROUP	2076755374	6	8.05%	30-Mar-17	29-Sep-17	9,000,000	
STANDARD BANK	088430537197	10	8.33%	08-Dec-16	09-Oct-17	16,000,000	
STANDARD BANK	088430537199	3	7.70%	19-Jul-17	19-Oct-17	5,000,000	
FNB	74661534302	11	8.35%	08-Dec-16	08-Nov-17	13,000,000	
NEDBANK	7881501480000001	11	8.31%	08-Dec-16	08-Nov-17	6,000,000	
ABSA GROUP	2076508624	12	8.51%	08-Dec-16	07-Dec-17	17,000,000	
ABSA GROUP	2076976508	6	7.95%	19-Jul-17	19-Jan-18	22,000,000	
FNB	74575507312	6	8.00%	19-Jul-17	19-Jan-18	17,000,000	
NEDBANK	7881501480000150	6	7.70%	19-Jul-17	19-Jan-18	2,000,000	
STANDARD BANK	088430537200	6	8.02%	19-Jul-17	19-Jan-18	22,000,000	
Investec	9407463	10	8.20%	30-Mar-17	23-Jan-18	17,000,000	
STANDARD BANK	088430537201	5	7.65%	05-Sep-17	05-Feb-18	17,000,000	
NEDBANK	7881501480000149	11	8.14%	30-Mar-17	02-Mar-18	27,000,000	
ABSA GROUP	2077066689	6	7.25%	05-Sep-17	05-Mar-18	19,000,000	
FNB	74550449331	6	7.44%	06-Sep-17	06-Mar-18	5,000,000	
FNB	74575507924	12	8.30%	30-Mar-17	29-Mar-18	21,000,000	
STANDARD BANK	088430537202	6	7.85%	08-Dec-17	08-May-18	22,000,000	
FNB	74466179121	6	8.01%	08-Dec-17	08-Jun-18	14,000,000	
NEDBANK	7881501480000151	7	7.63%	08-Dec-17	09-Jul-18		13,000,000
ABSA GROUP	2077219377	9	7.98%	08-Dec-17	04-Sep-18		27,000,000
<b>CASH AND CASH EQUIVALENTS</b>							<b>40,000,000</b>
STANDARD BANK	088430537203	6	7.61%	24-May-18	26-Nov-18		15,000,000
ABSA GROUP	2077539808	9	7.66%	24-May-18	25-Feb-19		20,000,000
ABSA GROUP	2077539824	12	7.86%	24-May-18	23-May-19		10,000,000
FNB	74661534302	12	7.76%	24-May-18	23-May-19		33,000,000
INVESTEC	JB9768538	12	8.00%	24-May-18	23-May-19		15,000,000
NEDBANK	7881501480000152	12	7.65%	24-May-18	23-May-19		21,000,000
STANDARD BANK	088430537204	12	7.91%	24-May-18	23-May-19		36,000,000
<b>SHORT TERM INVESTMENTS</b>							<b>150,000,000</b>
<b>BALANCE 30 JUNE 2018</b>							<b>190,000,000</b>